

**SCOTTISH ENERGY ADVISORY BOARD**  
**Wednesday 6 November 2018**  
**Edinburgh**

**MINUTES OF MEETING**

**Ministers**

- Rt Hon Nicola Sturgeon, First Minister (Co-Chair)
- Paul Wheelhouse, Minister for Enterprise, Innovation & Energy

**Members**

- Professor Sir Jim McDonald, University of Strathclyde (Co-Chair)
- Keith Anderson, Scottish Power Renewables
- Andrew Jamieson, ORE Catapult
- Alistair Philips-Davis, Scottish and Southern Energy
- Deirdre Michie, Oil and Gas UK
- Damien Yeates, Skills Development Scotland
- Frank Mitchell, Scottish Power Energy Networks
- Professor Alex Kemp, University of Aberdeen
- Dick Winchester, Pipistrelle Ltd
- Graeme Sweeney, The Chopping Company
- Jim McColl, Clyde Blowers Ltd
- Charles Hammond, Forth Ports
- Linda Hanna, Scottish Enterprise
- Audrey MacIver, Highlands and Islands Enterprise
- Sam Ghibaldan, Citizens Advice Scotland
- Duncan Burt, National Grid
- David Sigsworth, FPAG
- Ian Marchant, Dunelm Energy

**Attendees**

- Jenny Hogan, Scottish Renewables (on behalf of Claire Mack)
- Helen Martin, Scottish Trades Union Congress (on behalf of Grahame Smith)
- Steve Chisholm Global Energy Group (on behalf of Roy MacGregor)
- Gordon McGuinness, Skills Development Scotland
- David Cameron, EDF Energy (on behalf of Brian Cowell)
- Kersti Berge, Scottish Government
- Sue Kearns, Scottish Government
- Kat White, Scottish Government
- Robert Henderson, Scottish Government
- Jenna Williamson, Scottish Government
- Mike King, Scottish Government

**Secretariat**

- Fiona Hamilton, Scottish Government

## **Welcome and Introductions**

1. The First Minister opened the meeting by thanking all attendees for coming to this year's final SEAB meeting of 2018. She welcomed:
  - Helen Martin attending in place of Grahame Smith of the STUC,
  - Steve Chisholm from Global Energy attending in place of Roy MacGregor,
  - David Cameron in place of Brain Cowell,
  - Jenny Hogan on behalf of Claire Mack from Scottish Renewables.
  
2. The First Minister noted energy's continuing importance as an economic and industrial opportunity for Scotland, and outlined some of the key energy events she had been involved in since the last complete meeting in December 2017. These included:
  - Visiting China in April 2018, where energy issues were high on the agenda
  - Launching Energy Efficient Scotland at the All-Energy Conference in May 2018; with its ambitious programme to make Scotland's buildings warmer, greener and more efficient.
  - The launch of this year's Programme for Government in September 2018, which retains the transition to a low carbon economy as a central pillar of its narrative.
  - The publication of the Economic Action Plan in October 2018 which places the low carbon economy in a prominent position.
  - Attending the launch of the European Offshore Wind Deployment Centre in Aberdeen in September 2018.
  - The Climate Change Bill, which has been has now been laid before Parliament and evidence sessions are being held. Noting the importance to ensuring energy and the wider economic transition needed to deliver our stretching targets is fair and sustainable.
  
3. Sir Jim noted apologies from Melfort Campbell, IMES Group, before reflecting on recent events:
  - In 2018 we saw no electricity generated from coal on the GB grid for a consecutive 76 hour period, the longest streak since the 19<sup>th</sup> century.
  - Over 10 GW of renewable capacity is now deployed in Scotland to around 3.5 GW a decade ago.
  - Last year was the eighth year in a row that global investment in renewables exceeded \$200 billion (U.S.).
  - The Committee on Climate Change set out that low-carbon electricity from wind and solar farms will be cheaper than gas by 2020.
  - The provision by Scottish Government of £60 million to the Innovation Fund to support the delivery of innovative low carbon energy infrastructure projects.

## **Minutes and Matters Arising**

4. Sir Jim noted no matters arising.

5. The draft minutes of the previous SEAB meeting held on Tuesday 5 December 2017 were approved as an accurate record of the meeting.

### **Scotland's Energy Strategy Presentation**

6. The First Minister noted the need to reflect on progress in implementing Scotland's Energy Strategy since its publication on Wednesday 20 December 2017. She invited Mr. Wheelhouse to provide an update on progress.
7. Mr Wheelhouse welcomed the opportunity to reflect upon Scotland's Energy Strategy and noted SEAB's long term importance in providing external advice and assurance.
8. Mr Wheelhouse noted the Strategy's wider context and its consistency with Scottish Government's climate change ambitions; ultimately promoting a dynamic, sustainable and inclusive economy, with the opportunity and need to deliver greater investment, employment opportunities, affordable energy and a more sustainable economy overall.
9. Mr Wheelhouse also recognised the Strategy's role in guiding future decision making and the importance of stakeholder involvement. Outlining the blend of reserved and devolved powers available to Scotland, the minister made clear that application and delivery can be achieved by:
  - Utilising both direct action and exerting influence on others actions
  - Promote forward creative solutions from the private sector
  - Investment in potential growth areas
  - Collaboration between the public, community and private sectors to maximise benefits
10. Mr Wheelhouse concluded by noting his priority as energy minister to ensure that the Energy Strategy acted as much as possible as a catalyst within the energy sector to tackle the challenges faced.
11. Sir Jim thanked Mr. Wheelhouse for his contribution and opened the discussion to the Board to provide thoughts on the progress of the Strategy's implementation.

### **Energy Strategy**

12. Changes within the energy sector over the past decade were discussed, along with the need to tackle costs going forward.
13. The Board emphasised the need to ensure that the most up to date data sets are used to report on progress.

**ACTION: Kersti Berge was tasked with investigating how the data sets provided to the Board could be improved.**

14. Mr Wheelhouse noted that Scottish energy data sets were heavily dependent upon the publication of BEIS statistics.
15. The importance of research and doctoral work was recognised; with the Energy Technology Partnership noted as a source of research which should be utilised in future.
16. The Board welcomed the progress taken place thus far, especially through the implementation of Energy Efficient Scotland, with the Scottish Government's commitment to heat regulation and consumer protection providing confidence for heat networks.
17. The Strategy was recognised as providing a good framework for future consumer behavioural change, with upgrades in the heating system and electric vehicles energy in future being utilised more effectively.
18. Geographical variations in Scotland's energy domestic usage and the price customers are charged was raised. It was noted that currently 23% of Scotland are off gas (N.B - latest statistics suggest this is now 20%) which can mean 3 times more in heating costs. Half of these are in fuel poverty and for off gas households this is an even more prominent concern. It was noted that with this issue continuing a timely solution was required; with a gas network being proposed.
19. Mr Wheelhouse assured members that heat remained a priority, with discussion currently taking place with Clare Perry (BEIS) to discuss heat regulation. The Minister noted that this issue could underline the need to consider the devolution of consumer protection powers, given the devolved regulation of district heating.
20. Mr Wheelhouse recognised tensions between quick action and developing the supply chain. The Minister stated that local jobs and local supply chains must be developed, and private sector investment attracted whilst protecting communities (especially remote and island communities). The minister also highlighted the progress being made on our Electricity and Gas Networks Vision Statement, due for publication shortly.
21. Mr Wheelhouse remarked on the link between the broader Industrial Strategy and the Energy Strategy – the value added by the Oil and Gas industry to the Scottish economy is already substantial and has potential to grow.
22. Concerns were raised around transport being a major source of emissions, with 30% empty running vehicles. We must tackle the supply chain around this by involving INEOS and working to lower emissions. A broader policy on decarbonisation was suggested, with INEOS more incentivised to invest in decarbonisation and energy efficiency, and invited to join the Oil and Gas and Intensive Energy Industries Group.
23. Mr Wheelhouse noted continued engagement with developers around how the energy supply chain can be assisted going forward and work was being carried

out with Energy Efficient Scotland. Before noting works that were taken place to ensure a successful transition:

- Work has been carried out into hydrogen.
- INEOS has been invited to join Scottish Government's Oil and Gas Working Group.
- An Energy Intensive Industry Group had been created to support the decarbonisation agenda.
- District Heating legislation was being examined to ensure the correct regulatory and licensing framework can be put in place
- Vulnerability will also be considered.

24. The Energy Strategy was recognised as integral to the Scottish Government's industrial strategy with strong links to the Climate Change Plan. Within these linked programmes it must be ensured that the transition to a low carbon economy is a successful one. Ultimately ensuring no area of society is left behind and benefits are felt across the Scottish Economy.

### **EU Exit – Implications for the Energy Sector in Scotland**

25. The First Minister introduced the discussion with a short summary of the political circumstances surrounding the UK's departure from the European Union. Outlining the terms of departure remaining unknown and noting the considerable political difficulties in avoiding either a 'no-deal' exit from the EU or a 'blindfold' exit.

26. Sir Jim noted the distinctive position of Scotland within the UK and Europe, and pointed out the importance of retaining access to EU funds. He raised concerns about the loss of Freedom of Movement across Europe, noting the importance of this freedom to industry and academia.

27. Amongst the Board there was general agreement that the UK should seek to retain the EU's internal energy market and its seamless trading across interconnectors with gas and electricity grids on mainland Europe and the Republic of Ireland. Particular concern over the Single Electricity Market of Ireland was raised.

28. The EU emissions Trading System with its importance to the industry was noted. The UK's alternative proposal in the event of no deal for a temporary Carbon Tax until a more permanent arrangement is found was agreed to be satisfactory within the short-term however long-term stability and resilience of the larger EU Energy Trading System was deemed concerning.

29. Concerns for consumer impacts were raised from both the Brexit-associated volatility of the value of the pound and the impacts of tariffs or trading costs over interconnectors; with the potential to raise domestic fuel bills.

30. Board members noted the potential effect of EU withdrawal on workforce resources for the sector. The importance of energy companies being able to attract and employ EU citizens was deemed vitally important with 7,000-10,000

of workers within the sector of 100,000 are non-UK EU citizens. Additionally European deployment was raised with the ability for the sector to deploy staff to projects in different EU member states without visa and immigration concerns being noted. Finally the importance of the European Customs Union was recognised for the sector's reliance to ensure access to imported parts.

31. Additionally, it was recognised that withdrawal from the European Union raised concerns over EU funds and the UK's potentially diminished access to these. Previous support from the EU for infrastructure projects and innovation in the energy sector has been significant, and any loss of these funds, if not replaced by equivalents, will impact future developments.
32. As well as the extent to which the withdrawal transition period potentially being disruptive to energy systems being noted.
33. The principle of the UK becoming a rule-taker, rather than a rule-maker was discussed. The UK's success to date in driving the direction of European energy policy was recognised; both in drafting good European law and helping the European Parliament make positive decisions within energy policy. However this influence is at risk of losing this powerful influence with the UK's withdrawal from the EU; which makes it likely that future decisions may not be as beneficial to the sector as previously.
34. The importance for finding a replacement for The European Atomic Energy Community (Euratom) following the UK's withdrawal from the European Union was raised. Further concerns being raised on the possible determinate impact this could have to Aberdeen's status as an Oil and Gas knowledge Hub as well as the ability to transfer helicopters across the North Sea and the loss of influence over offshore safety and environmental directives.
35. The First Minister requested further input from members would be provided in writing. Before closing the discussion she committed on need to continue engaging with the sector in order for Scotland's voice to continue to be heard in London and Brussels.

**ACTION: Further input from members should be provided in writing**

### **Any Other Business**

36. Sir Jim raised one item of additional business and asked Mr Wheelhouse to provide an update on a Scottish generation and security supply.
37. Mr Wheelhouse outlined Scotland's generating portfolio had changed dramatically in recent years following major growth in renewable output accompanied by the loss of Cockenzie and Longannet power stations. Scotland now being an exporter of renewable power to other parts of Great Britain still depends upon imports during low renewable output and high demand. This increased reliance upon the availability of power from elsewhere in the UK was noted by the Minister; with current maintenance at Torness and Hunterston. As

such, continuous discussion with various members of the board is being carried out to ensure supplies are maintained until their return to service.

38. Additionally, Mr Wheelhouse stated the urgency of wider conversations of this board regarding Scotland's electricity system and maintaining future supply in light of these alterations in generation. The Minister requested that work should be carried out into strategic locational criteria and signals as part of a longer term plan to ensure that not only the system has the capacity but is where it is needed.
39. Sir Jim thanked the Minister for his contribution and invited Duncan Burt to provide a response with regards to the grid and for David Cameron to provide a response on behalf of EDF.
40. The First Minister thanked the Board for their contributions which provided a stimulating discussion on the Energy Strategy and Brexit.